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SUBJECT: ARGENTINES NOT SHOCKED THERE'S CORRUPTION GOING  
ON: MUTED REACTION TO SIEMENS REVELATIONS

REF: BUENOS AIRES 1164

**¶1.** (SBU) Summary: German company Siemens' December 15 guilty plea with the U.S. Department of Justice-Fraud Section, over corrupt practices, including payments of bribes to officials in previous Argentine governments, has provoked sustained attention in the Argentine press but no major reaction from government or from the public. Argentine federal prosecuting judge Ariel Lijo, in charge of the Argentine investigation of Siemens, contacted DOJ Attorney at post December 22 to request assistance, but has no plans to travel to the United States. He said he would travel to Germany to collect evidence. Although the GOA initially was moderately concerned that the Siemens plea agreement suggested continuing payments to GOA officials through 2007 -- thus potentially implicating the 2003-2007 government of President Cristina Fernandez de Kirchner's (CFK) husband, Nestor Kirchner -- press reports of a December 17 letter from the local Siemens affiliate to the GOA denying any payments under the Kirchner governments appear to have assuaged that concern. Although the CFK government appears not to have any problems with evidence surfacing of Menem-era corruption, it may not make too much hay out of this guilty plea for fear of eliciting calls for similar degrees of transparency and investigation into more recent government deals. End Summary.

**¶2.** (SBU) The December 15 announcement of a guilty plea by German company Siemens under the U.S. Foreign Corrupt Practices Act, as well as revelations from the related case in Germany, have attracted sustained press attention in Argentina. The media have drawn obvious conclusions from the reports' identification of bribe recipients by initials and titles to tag former President Carlos Menem, his Interior Minister Carlos Corach, and Immigration Director Hugo Franco as recipients of millions of dollars in bribes paid by Siemens to win a bloated \$1.2 billion 1998 contract to issue high-tech national identity cards to all Argentines. In addition, press has focused on the possibility of bribes paid to officials in the subsequent de la Rua government, when the discredited Siemens contract was renegotiated before eventually being rescinded.

**¶3.** (SBU) The government of President Cristina Feranandez de Kirchner (CFK) reportedly took issue at first with the plea agreement's language of bribes and other illicit activities by Siemens extending from 1998 to 2007, which suggested at least illicit activities under the government of CFK's husband, former President Nestor Kirchner (NK, 2003-2007). USG sources quoted by the local press, however, indicated that no government officials in the Nestor Kirchner or Cristina Fernandez de Kirchner administrations had been

implicated. On December 17, the President of Siemens Argentina, Enrique Antonio Genzone, was reported by the press (La Nacion, December 18) to have written to CFK Minister of Planning Julio de Vido to report that the bribes occurred "only under the Menem government," or "not since 2003" (a "clarification" that contains an apparent contradiction regarding the 1999-2001 de la Rua government). Siemens took out a full-page ad in major Argentine newspapers over the weekend of December 20 to repeat its statement that neither Kirchner government was involved in the corruption.

Requests for Assistance

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¶4. (U) Argentine press have drawn attention to a reported provision of the U.S. plea agreement that requires Siemens to fully cooperate with foreign governments investigating the cases of corruption affecting them. This was described as an "open door" and an unprecedented opportunity for Argentina to investigate local corrupt practices, with some questioning of whether the GOA was responding with enough energy to the case.

¶5. (SBU) Embassy has received two GOA approaches about possible requests for assistance under our Mutual Legal Assistance Treaty (MLAT). First, officials from the Ministry of Justice's Anti-Corruption Office contacted Legat on December 19 to request assistance in obtaining the plea agreement, and in particular confirmation of the names of those referred to by their initials and title as well as details on evidence that the bribes were paid. On December 22, federal investigating judge Ariel Lijo contacted DOJ Attorney at Post to request help in obtaining a certified

copy of the complaint against Siemens and the plea agreement.

In addition, he requested help obtaining the German audit of Siemens. DOJ Attorney at Post is working with DOJ prosecutors on Lijo's request for the U.S. public documents and inquiring regarding the availability, through U.S. channels, of the German audit.

Denials

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¶6. (U) After a day of silence, former President Carlos Menem issued a denial that he had accepted any bribes, calling the allegations "malicious." Officials in the de la Rua administration have engaged in a more robust bout of finger-pointing, arguing over who was responsible for considering a renegotiation of the Siemens contract even after official reports of irregularities had been issued by the semi-autonomous GAO-equivalent Sindicatura General de la Nacion (SIGEN).

A Good Fit with the Kirchner Narrative, But...

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¶7. (SBU) Comment: Generally, the Siemens revelations fit well with the Kirchner narrative that former President Carlos Menem's march to privatize the economy was a process larded with corrupt deals. The detailed and convincing charges now leveled against Menem and his associates offer something more concrete than Argentine justice has been able to produce to date. This may also play out in Argentina's favor in the realm of investment disputes, given that the CFK government has sought to annul the February 2007 ICSID ruling that awarded Siemens \$217.8 million for the GoA's 2001 cancellation of the identity card project. (The ICSID arbitral panel ruled that the de la Rua government decision to rescind the identify card contract was a breach of contract under the Argentina-Germany Bilateral Investment Treaty. See reftel for background.)

¶8. (SBU) Comment continued: Still, the CFK administration may be reluctant to make too much of the case given widespread suspicions that all is not entirely right in the current (and previous) government's public licitation processes. Official corruption in Argentina is not the province of one former government or one wing of the Peronists, and too much

attention to the Siemens case, it may be feared, might encourage the public to demand even greater and broader scrutiny to contracts. We can't help but note to ourselves that the DOJ and SEC pursuit of Siemens (by implicating Kirchner opponent Menem rather than a Kirchner official) serendipitously undermines the Kirchner assertions of a vast USG conspiracy against them.

WAYNE